

A nonprofit organization formed to advise, counsel, and assist individuals in solving their financial difficulties, by budgeting their income and expenses and effecting an orderly program for the payment of their obligations, is entitled to exemption from Federal income tax as a social welfare organization described in section 501(c)(4) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization organized to provide a consumer credit counseling service for the general public qualifies for exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code of 1954.

The organization was incorporated as a nonprofit corporation, to assist families and individuals with financial problems and to help reduce the incidence of personal bankruptcy. It employs specialists to interview applicants who are in financial difficulty, analyze the specific problems involved, and counsel on the payment of their debts. In addition, the organization may advise the applicants as to proration and payment of debts. In this connection the organization may work out a monthly distribution to creditors based on the debtor's ability to pay. It communicates with creditors and, with the creditors' consent, sets up plans which applicants agree to follow. The organization makes facilities available through which the applicants can each month make pro rata distributions to their creditors. No loans are made by the organization to the applicants or negotiated in their behalf. The individuals and families eligible for assistance are not limited to those who are in need of such assistance as proper recipients of charity. No charge is made for the counseling service. However, a nominal charge is made for monthly prorating services, to cover postage and supplies.

The organization relies upon voluntary contributions from local businesses, lending agencies, and labor unions to cover its cost of operations.

Section 501(c)(4) of the Code provides, in part, for the exemption of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare. An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated to bring about civic betterment and social improvements. See section 1.501(c)(4)-1 of the Income Tax Regulations.

The instant organization was formed to assist individuals and families with financial problems to work out those problems and to check the rising incidence of personal bankruptcy in the

community. The objectives and activities of the organization contribute to the betterment of the community as a whole. Accordingly, it is held that the organization is entitled to exemption from Federal income tax as an organization described in section 501(c)(4) of the Code.

An organization which considers itself within the scope of this Revenue Ruling must, in order to establish exemption under section 501(c)(4) of the Code, file an application on Form 1024, Exemption Application, with the District Director of Internal Revenue for the internal revenue district in which is located the principal place of business or principal office of the organization. See section 1.501(a)-1 of the regulations.